

ROLE OF CLIENT MANAGEMENT STYLE AND COMPETENCE AUDITORS IN AUDIT PLANNING

Stefani Lily Indarto, SE., MM., Akt1)
Soegijapranata Catholic University
Faculty of Economics and Business

Email: indartostefanielily@yahoo.co.id, Tel: 08122918217

ABSTRACT

Audit planning an audit guidelines prepared by professional judgment and involves the evaluation and integration of various information, such as the client's internal environment, internal control processes, analytical procedures the planning stages, as well as the characteristics of the client's business and industry. The audit plan serves as a guide and a material consideration in the assignment of auditors. Inside the auditors define the scope to be audited, the element management system to be audited, testing methods, the document that will be used, and who the key holder. After the auditor will set a date, time and duration of the audit, prepare documents related work, meeting attendance list, memo assignment of the audit team, audit programs and checklists (check list) needed for the audit assignment. Planning the audit is designed taking into account the risk of the company and the risk of disclosure of financial statements that ultimately determine whether the activities carried out in accordance with the objectives of the company or not. It is very dependent on choices about structure and performance management, as well as the competence of auditors in identifying and analyzing relevant risks to the achievement of company objectives and underlying how these risks should be managed. Management uses a risk assessment to determine if the company is successful in achieving its objectives. Audit planning is required by the internal auditors and external auditors to produce audit quality as expected, including the auditor should have an understanding of the risk assessment process and tools used to assess the risk. The study was conducted using a survey on the external auditors and internal auditors in Semarang. Data collected by distributing questionnaires to the respondents to be filled. The questionnaire contains questions to obtain information about the tests of controls, substantive testing, analytical procedures, consideration of the level of materiality, audit risk, management style, as well as the competence of the internal auditors and external auditors. In terms of management style we got the result that the internal auditor is to consider the management style of the client when performing tests of controls and substantive tests of internal audit planning compared with the external auditors. Instead the initial considerations of materiality and audit risk level, external auditors are still considering the client's management style than the internal auditors. In terms of the competence of auditors result that more external auditor considers its competence at time of initial consideration of materiality in planning the audit level than the external auditors. In contrast to other audit planning stage there is no difference between the internal auditors and external auditors.

Keywords : Management style, competence, audit planning, risk assessment.

Background

Audit Planning is an audit process steps that require a sizable professional judgment and involve the evaluation and integration of various information, such as the client's internal environment, including management style and internal control processes, analytical procedures planning stages, as well as the characteristics of the client's business and the industry in which it operates. Arens (2014) explains that in the planning stage of the audit the auditor must understand the business and client business field, perform analytical procedures, set the initial consideration of the level of materiality and audit risk into account. In the implementation of the audit plan auditor also should consider the entity's accounting policies and procedures, the method used in processing accounting information, as well as the determination of the planned level of risk control, and early consideration of materiality.

In section 311 (SPAP, 2014) explained that the planning and supervision requires the auditor in the audit planning to take into account, among others, the initial consideration of materiality levels for audit purposes. Therefore, materiality has the effect that covers all aspects of the audit (Willingham, et al. 1985). Statement on Auditing Standards (SAS) No. 47 make a statement about the materiality, that policy is made in relation to the materiality of the surrounding activities and involve qualitative and quantitative considerations. According to (Sihombing and Indarto, 2014) also explained that the audit plan should be designed taking into account the risk of the company and the risk of disclosure of the financial statements. An auditor should have an understanding of the risk assessment process and tools used to assess the risk. The auditor should ensure that the control needed to run to reduce the risk. If a risk has been identified, the next step to do is to control the risk. It is very dependent on choices about structure and performance management.

According to Hamilton (1982) risk assessment is the identification and analysis of relevant risks to the achievement of company objectives and underlying how the risks should be managed. This is due to economic factors, industry, regulatory and operating conditions continue to evolve so that the necessary mechanisms to identify and adjust the risks should be adjusted to the changes that will occur. Management uses a risk assessment to determine if the company is successful in achieving its objectives. The concept of risk-based audit put observation and analysis of control as a starting point, and then develop the audit on the field / area that requires further testing and evaluation. When the weak internal control (meaning high control risk), then the auditors tend to broaden the scope of the audit, the auditor to obtain assurance that its audit responsibilities can be carried out in accordance with applicable professional standards.

The results of previous studies conducted by Kerr and Diaz (2009) mentions that turned out in the audit planning process should not be considered a management style that is used, but it is integrated with other relevant factors in planning the level of substantive testing and analytical procedures. However, the research results Dickins et al. (2008), Hansen et al. (2009), and Kerr (2013) provide evidence that the management style will affect the external auditor in the audit testing. This management style is a way of leadership to influence others or subordinates such a way that the person is willing to do the will of the leadership to achieve organizational goals although personally it may be unpopular (Willingam, 1985).

In keeping with the attitude of professionalism, the auditor also should have sufficient competence in the profession to support its work in conducting any investigation. Auditors who have a lot of knowledge about the mistakes will be more proficient in performing its task of finding the existence of material misstatement. Research conducted by Yuvisa et al (2008) and Dutton, et al (1994) in Indarto et al (2013) showed that an experienced auditor will have more knowledge and memory structures better than inexperienced auditors that are expected to overcome the various obstacles in performing their duties. This study will examine the role of management style and competence of auditors in the audit planning stage, and for variable testing of internal control and audit risk will be examined differences in the involvement of internal auditors and external auditors to understand the influence of management style and competence when performing audit planning.

Theoretical Framework

Audit Planning

Audit plan should be prepared taking into account the risks faced by the organization to be audited. In this case, the auditor should utilize the output of the results of risk assessment in the design of the audit program. Therefore, auditors need to understand the following process tool used in the risk assessment. Risk assessment is an important thing to do because the condition of the economy, industry, regulatory, and operational organization is constantly changing. Within the framework of internal control, management must assess the risks facing the organization, so as to

implement form / control procedures are appropriate. Before carrying out the audit work, the auditor should first systematically audit plan. The audit plan serves as a guideline for the implementation of the audit, the basis for preparing the budget, a tool to obtain the participation of management, a tool for setting standards, appliance control, and the consideration for public accountant who was given the assignment by the company. Audit planning is the total length of time required by the auditors to conduct the audit planning start to the development of the audit plan and audit program overall (Arens, 2014). Audit plan includes the development of an overall strategy implementation and the expected scope of the audit. the nature, extent, and timing of planning varies with the size and complexity of the entity, the experience of the entity, and knowledge of the business entity.

According to Hamilton (1982) in the planning stages of the audit include: (1) Gaining Understanding of Business and the Business Sector Clients, (2) Conducting Analytical Procedures, (3) Establish Initial Considerations About Materiality level, (4) Consider the Audit Risk, (5) Consider Various Factors To The Beginning, if the form of the Audit Engagement with Clients First Year, (6) Establish Initial Audit Strategy for Assertions-assertion, and (7) Gaining Understanding of Internal Control Structure Client.

Test of Control

Test of control is a test carried out on the design implementation of a policy or procedures of internal control structure. Tests of controls, the auditor conducted to assess the effectiveness of measures or control procedures to detect and prevent material misstatements in the financial statement assertions. Extensive testing control directly influenced by the level of risk control set that has been planned by the auditor. The lower the level of risk controls imposed, more evidence is needed to be dihimpun. Untuk old client, extent or scope of control testing is influenced also by the use of evidence obtained in the previous year audit.

Substantive Tests

The auditor should gather sufficient evidence to obtain a reasonable basis for an opinion regarding the financial statements. Substantive tests provide evidence of the reasonableness of any significant financial statement assertions. The design of substantive tests included determination of the nature of the test, the test of time, as well as substantive testing area. If the level of acceptable risk of detection is low, the auditor should use more effective procedures are usually also more expensive.

Analytical Procedures

Analytical procedures include the amounts recorded in the hope that developed the auditor also includes the calculation of the ratio of the auditor. The usefulness of the analytical procedure are (1) To gain an understanding of the client's business and industry, (2) To assess the ability of the company to maintain its survival, (3) To detect whether there is an error in the client's financial statements, and (4) To determine whether or not the reduction of the testing details of the audit.

Initial Consideration of Materiality Levels

Materiality is the basis for the application of basic auditing, especially standards of field work and reporting standards. Therefore, materiality has the effect that covers all aspects of the audit in the audit of the financial statements. SA Section 312 Audit Risk and Materiality in Auditing Adit requires the auditor to mempeertimbangkan materiality in (1) planning the audit, and (2) an assessment of the overall fairness of the financial statements in accordance with generally acceptable accounting principles in Indonesia. Materiality requires the auditor to consider the circumstances relating to the entity and the information needs to be put confidence in audited financial statements.

Auditors conduct a preliminary consideration of the level of materiality in planning the audit called planning materiality, can vary with the level of materiality that is used when making conclusions in evaluating the findings of the audit and the audit because (1) the circumstances surrounding the change (2) additional information about the client may be obtained during the course of the audit. Materiality considerations include both quantitative and qualitative considerations related to misstatements relationship with a certain number of keys in the financial statements.

Audit Risk Assessment

Audit risk is the risk that in the case of auditors, without realizing it, do not modify his opinion as appropriate, on the financial statements that contain material misstatements. In determining control risk, the auditor needs to identify potential misstatements that may occur to these assertions, identify controls that can prevent or detect misstatements,

collect evidence from tests of controls whether the design and operation of the relevant controls are effective, evaluate the evidence obtained, and determine risk control.

Management Style

Management style used by a leader to influence in organizing and coordinating subordinates in order to achieve company goals are effective. Application of management style will be relative when it is associated with a person's success or failure in managing a company. This kind of management style involves all depends on the decisions that are always given by the head of the company even in day-to-haripun all depends on the command.

Competence

According Ashforth and Mael (1989) experience creating knowledge structure, which consists of a system of systematic knowledge and abstract. This knowledge is stored in long-term memory and is formed from the direct experience of the past environment. Through experience, the auditor can gain knowledge and develop knowledge structures. With a lot of work experience or a person considered to be more experienced, then the employee will be able to overcome the various obstacles in carrying out their duties (Duton in Yuvisa et al, 2008). Thus it would be easier to carry out the task and will obtain work faster, precise, and accurate as a performance. The more experience the more the auditor auditor can produce various kinds of allegations in explaining the findings of the audit. Someone who is more experience in the field of substantive have more things that are stored in memory and can develop a good understanding of the events.

Auditors who have a lot of knowledge about the mistakes will be more proficient in performing its task of finding the existence of material misstatement. Research conducted by Yuvisa et al (2008) and Dutton, et al (1994) in Indarto et al (2013) showed that an experienced auditor will have more knowledge and memory structures better than inexperienced auditors that are expected to overcome the various obstacles in performing their duties. Auditor Knowledge is information that is recognized or known to the auditor, which is obtained from observation and experience a true and useful ([id.wikipedia.org/wiki/ knowledge](http://id.wikipedia.org/wiki/knowledge)). In the process of auditing, knowledge about how various patterns associated with the possibility of error in the financial statements is essential for effective audit planning. Many cases of error which are not detected by the auditor (Kerr, 2013). Knowledge auditors to detect errors required to meet the standards of field work as set forth in Generally Accepted Accounting Standards (SPAP) 1, the form of the standard audit report in accordance with the SPAP SPAP 29 and 32 paragraphs 5 and 6, which explains that the accountant examiner has the responsibility to detect errors and irregularities.

According Dusenbury, et al. (2000) knowledge of auditors to detect errors need to be tested for several reasons. The auditor should be able to determine the risk that a mistake is likely to cause the financial statements contain material misstatements.

Hypothesis development

When the weak internal control (meaning high control risk), then the auditors tend to broaden the scope of the audit, the auditor to obtain assurance that its audit responsibilities can be carried out in accordance with applicable professional standards. Arens (2014), and Kerr (2013) provide evidence that the management style will affect the external auditor in the audit testing. This management style is a way of leadership to influence others or subordinates such a way that the person is willing to do the will of the leadership to achieve organizational goals although personally it may be unpopular (Knippenberg, 2000). Based on the above reasoning, the alternative hypothesis as follows:

H1: The internal auditor is to consider the client's management style while doing the testing of internal control audit planning compared with the external auditors.

The nature, extent, and timing of planning varies with the size and complexity of the entity, the experience of the entity, and knowledge of the business entity. To that end, in the implementation of the audit plan auditor also should consider the entity's accounting policies and procedures, the method used in processing accounting information, as well as the determination of the planned level of risk control, and early consideration of materiality. In keeping with the attitude of professionalism, the auditor also should have sufficient competence in the profession to support its work in conducting any investigation. Auditors who have a lot of knowledge about the mistakes will be more proficient in performing its task of finding the existence of material misstatement. Research conducted by Yuvisa et al (2008) and

Dutton, et al (1994) in Indarto et al (2013) showed that an experienced auditor will have more knowledge and memory structures better than inexperienced auditors that are expected to overcome the various obstacles in performing their duties. Based on the above reasoning, the alternative hypothesis as follows:

H2: The internal auditor is to consider its competence when performing testing of internal control audit planning compared with the external auditors.

The auditor should gather sufficient evidence to obtain a reasonable basis for an opinion regarding the financial statements. Substantive tests provide evidence of the reasonableness of any significant financial statement assertions. Dickins et al. (2008), Hansen et al. (2009), and Kerr (2013) provide evidence that the management style will affect the external auditor in the audit testing. This management style is a way of leadership to influence others or subordinates such a way that the person is willing to do the will of the leadership to achieve organizational goals although personally it may be unpopular (Luthans, 2002). The audit plan serves as a guideline for the implementation of audit and auditor consideration in the assignment. Arens (2014) explains that in the planning stage of the audit the auditor should perform analytical procedures as part of the development of an overall strategy for the implementation and the expected scope of the audit.

In keeping with the attitude of professionalism, the auditor also should have sufficient competence in the profession to support its work in conducting any investigation. Auditors who have a lot of knowledge about the mistakes will be more proficient in performing its task of finding the existence of material misstatement. Auditor relatively new work or a new little professional experience can have different considerations and judgments in determining the risk factors that emerged as compared to an auditor who has long worked. Research conducted by Yuvisa et al (2008) and Dutton, et al (1994) in Indarto et al (2013) showed that an experienced auditor will have more knowledge and memory structures better than inexperienced auditors that are expected to overcome the various obstacles in performing their duties. According Hartoko, et al., (1997) knowledge helps assignment auditors become more effective in carrying out duties in accordance with knowledge. With the level of knowledge the auditor will give better results.

The auditor's knowledge is often used as one of the key work effectiveness. According Noviyani (2002), a person who did the work according to their knowledge will give better results than those who do not have sufficient knowledge of his duty. Knowledge auditors to detect these errors affect the performance of the auditor (Bonner, 1990 in Schick, 1993). Research conducted by Herawaty and Susanto (2008) states that the auditor's knowledge in detecting errors positive effect on the performance of auditors. Based on the above reasoning, the alternative hypothesis as follows:

H3. The external auditors are still considering the client's management style when performing substantive tests in planning the audit.

H4. The external auditor is still considering its competence when performing substantive tests in planning the audit.

Arens (2014) explains that in the planning stage of the audit the auditor must understand the business and client business field, perform analytical procedures, set the initial consideration of the level of materiality and audit risk into account. In section 311 explained that the planning and supervision requires the auditor in the audit planning to take into account, among others, the initial consideration of materiality levels for audit purposes. The results of previous studies conducted by Kerr and Diaz (2009) mentions that turned out in the audit planning process should not be considered a management style that is used, but it is integrated with other relevant factors in planning the level of substantive testing and analytical procedures. However, the research results Dickins et al. (2008), Hansen et al. (2009), and Kerr (2013) provide evidence that the management style will affect the external auditor in the audit testing. This management style is a way of leadership to influence others or subordinates such a way that the person is willing to do the will of the leadership to achieve organizational goals although personally it may be unpopular (Luthans, 2002).

In keeping with the attitude of professionalism, the auditor also should have sufficient competence in the profession to support its work in conducting any investigation. Auditors who have a lot of knowledge about the mistakes will be more proficient in performing its task of finding the existence of material misstatement. Each auditor is also expected to uphold professional ethics set forth by the Indonesian Institute of Auditors (IAPI) and have an understanding of the professional code of ethics, so that situations of unfair competition can be avoided (Herawaty, 2008).

H5. The external auditors are still considering the client's management style at time of initial consideration the level of materiality in planning the audit.

H6. The external auditor is still considering its competence at time of initial consideration of the level of materiality in planning the audit

In the planning stage of the audit the auditor must understand the business and client business field, perform analytical procedures, set the initial consideration of the level of materiality and audit risk into account. Audit plan includes the development of an overall strategy implementation and the expected scope of the audit. The nature, extent, and timing of planning varies with the size and complexity of the entity, the experience of the entity, and knowledge of the business entity. To that end, in the implementation of the audit plan auditor also should consider the entity's accounting policies and procedures, the method used in processing accounting information, as well as the determination of the planned level of risk control, and early consideration of materiality.

The auditor should ensure that the control needed to run to reduce the risk. It is impossible to determine the risk if the auditor can not know what the dangers. If a risk has been identified, the next step to do is to control the risk. According to Sawyer (2005) risk assessment is the identification and analysis of relevant risks to the achievement of company objectives and underlying how the risks should be managed. Management uses a risk assessment to determine if the company is successful in achieving its objectives. In addition, the management requires a risk assessment to design a new system is both manually and by computer. It is important in designing and developing a system is the identification of all potential events that may prevent the system in achieving its objectives. Auditor concerned to assess existing controls on activities / operations of the organization, so that when the risks are identified, the auditor may determine that the control procedures should exist to ensure that organizational goals can be achieved. Conversely, if the risk is not handled properly, then the auditor may determine appropriate recommendations for management to improve control / operations.

The concept of risk-based audit put observation and analysis of control as a starting point, and then develop the audit on the field / area that requires further testing and evaluation. When the weak internal control (meaning high control risk), then the auditors tend to broaden the scope of the audit, the auditor to obtain assurance that its audit responsibilities can be carried out in accordance with applicable professional standards. This management style is a way of leadership to influence others or subordinates such a way that the person is willing to do the will of the leadership to achieve organizational goals although personally it may be unpopular Maletta (1993). Auditor relatively new work or a new little professional experience can have different considerations and judgments in determining the risk factors that emerged as compared to an auditor who has long worked. Research conducted by Yuvisa et al (2008) and Dutton, et al (1994) in Indarto et al (2013) showed that an experienced auditor will have more knowledge and memory structures better than inexperienced auditors that are expected to overcome the various obstacles in performing their duties.

H7: The internal auditor is more to consider when determining the client's management style of audit risk in relation to the audit planning than external auditors.

H8: Internal Auditor be considered when determining the competency of audit risk in relation to the audit planning than external auditors.

RESEARCH METHODS

The population used by researchers is the auditor who works in the Office of Public Accountants in Semarang (external auditors) and auditors who work in manufacturing companies in Semarang (internal auditor). The method in this research is purposive sampling. The criteria for sampling in this study for the external auditor is the auditor who works at KAP Semarang, and auditors who are willing to fill out a questionnaire study. While the sampling criteria for internal auditors is the internal auditor of the company manufactures medium-large scale in Semarang, and who are willing to fill out a questionnaire study.

Operational Definition and Measurement of Variables

Independent Variables

1. Tests of controls

Variable control testing referred to in this research was conducted to test the design implementation of a policy or procedures of internal control structure. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

2. Substantive tests

Substantive testing is the process of providing evidence of the reasonableness of any significant financial statement assertions. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

3. Analytical Procedures

Analytical procedures is the number recorded in the hope that developed auditors in the form of the ratio calculation. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

4. Consideration of the level of materiality

Consideration of the level of materiality is a consideration of the value of the deletion or informal presentation of financial errors which in conjunction with a number of circumstances which surrounded him. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

5. Audit risk

Audit risk is the risk that the auditor to give an opinion on the financial statements inappropriate, especially when the financial statements contain material misstatements. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

Moderating Variables

1. Management Style

The management style is the style used by a leader's influence in organizing and coordinating subordinates in order to achieve company goals are effective. The questionnaire is presented in the form of cases and using a Likert scale of 1-5.

2. Competence

Competence is a learning process and increase the development potential of good behavior gained from formal and non-formal education or work experience that becomes a process to bring someone to a pattern of behavior that is higher. The questionnaire is presented using a Likert scale of 1-5.

Dependent variable (Y)

The dependent variable in this study is the audit planning. Audit planning is variable in this study is the total length of time required by the auditors to conduct the audit planning the beginning to the development of the audit plan and audit program thoroughly.

Data Analysis

From the results of questionnaires, the back and can be processed is 59 questionnaire internal auditors and external auditors 44 questionnaire. This section will discuss the general picture of the respondents.

Table 1. Overview Respondents Internal Auditor

Information	Amount	Procentage
Gender :		
- Male	18 person	30,5%
- Female	41 person	69,5 %
Age :		
- < 40 year	40 person	67,8 %
- 40-50 year	7 person	11,9 %
- > 50 year	12 person	20,3%
Total:	59 person	100%

Source: Primary Data Treated (2015)

Based on the table above, note that the respondents in the internal auditors male sex were 18 people (30.5%) while the female respondents amounted to 41 people or 69.5%. While based on age, it is known that the majority of respondents aged <40 years amounted to 40 people (67.8%), aged between 40-50 years are 7 people (11.9%). Respondents were aged > 50 years as many as 12 people (20.3%).

Table 2. Work Experience Internal Auditors

	N	Minimum	Maximum	Mean	Std. Deviation
Work Experience Valid N (listwise)	59	24.00	384.00	119,5932	73,16187
	59				

Source: Primary Data Treated (2015)

Based on the table above, it is known that the average length of the respondents work of internal auditors is 119.5932 months or 9 years and 11 months.

Table 3. Overview Respondents External Auditor

Information	Amount	Percentage
Gender :		
- Male	25 person	56,8%
- Female	19 person	43,2%
Age :		
- < 40 year	43 person	97.7%
- 40 –50 year	1 person	0.03%
Jumlah:	44 orang	100%

Source: Primary Data Treated (2015)

Based on the table above, note that the external auditors respondents male sex, as many as 25 people (56.8%) and women as many as 19 people (43.2%). Respondents were aged <40 years amounted to 43 people (97.7%), while the 40-50 year-old auditor as 1orang.

Table 4. Work Experience External Auditor

	N	Minimum	Maximum	Mean	Std. Deviation
Work Experience Valid N (listwise)	44	12.00	192.00	31,4091	34,15104
	44				

Source: Primary Data Treated (2015)

Based on the table above, it is known that the average length of the external auditors of the respondents work is 31.4091 months or 2 years and 7 months

RESULTS

Hypothesis (H1): The internal auditor is to consider the management style when performing tests of controls compared with the external auditor

Table 5. Results Management Style Differences in Conducting Tests Control Internal Auditor and External Auditor

		Group Statistics			
AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
COMPLIANCE	INTERNAL	59	26.1724	1.98360	.26046
	EXTERNAL	44	25.9111	1.76870	.26366

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
COMPLIANCE	Equal variances assumed	.649	.047	.695	101	.489	.26130	.37605	-.48468	1.00728
	Equal variances not assumed			.705	99.001	.482	.26130	.37062	-.47408	.99669

Source: Primary Data Treated (2015)

From the test results it can be seen that H1 control testing performed by internal auditors amounted to 26.1724. These results are higher than the average value of the internal control procedures performed by the external auditor that is equal to 25.9111. For different test independent samples t-test is known that the value of F calculated Levene's Test of 0.649 with 0.047 probability smaller than 0.05. Thus H1diterima. This means that the internal auditors perform tests of controls were better than the external auditors.

Hypothesis (H2): The internal auditor is to consider competency when performing tests of controls compared with the external auditor

Table 6. Results of Different Test Competence in Conducting Tests Control Internal Auditor and External Auditor

Group Statistics

AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
COMPLIANCE	INTERNAL	59	24.7069	1.62231	.21302
	EXTERNAL	44	25.6667	1.78377	.26591

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
COMPLIANCE	Equal variances assumed	.365	.547	-2.851	101	.005	-.95977	.33663	-1.62755	-.29199
	Equal variances not assumed			-2.817	89.988	.006	-.95977	.34071	-1.63665	-.28289

Source: Primary Data Treated (2015)

From the test results it can be seen that H₂ F count Levene's Test of 0.365 with 0.547 probability greater than 0.05. Thus H₂ is rejected. This means that there is no difference between the competence of the internal auditors and external auditors to perform tests of controls.

Hypothesis (H3): The external auditor's management style is more to consider when performing substantive tests compared with the internal auditors

Table 7. Test Results Management in Different Style Doing Substantive Tests for Internal Auditor and External Auditor

Group Statistics

AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
SUBSTANTIF	INTERNAL	59	12.7111	3.12339	.46561
	EXTERNAL	44	12.4310	3.03842	.39896

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
SUBSTANTIF	Equal variances assumed	.055	.048	-.458	101	.648	-.28008	.61101	-1.49215	.93200
	Equal variances not assumed			-.457	93.445	.649	-.28008	.61316	-1.49761	.93746

Source: Primary Data Treated (2015)

From the test results it can be seen that H3 substantive tests performed by internal auditors amounted to 12.7111. These results are higher than the average value of substantive tests performed by the external auditor that is equal to 12.4310. For different test independent samples t-test is known that the value of F calculated Levene's Test of 0.055 with 0.048 probability smaller than 0.05. Thus, it means the internal auditor's management style is better than with the external auditor when performing substantive tests.

Hypothesis (H4): The external auditor is to consider competency when performing substantive tests compared with the internal auditors

Table 8. Results of Different Test Competence in Substantive Tests for Internal Auditor and External Auditor

Group Statistics

AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
SUBSTANTIF	INTERNAL	59	12.2414	2.95172	.38758
	EXTERNAL	44	12.0222	2.64136	.39375

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
SUBSTANTIF	Equal variances assumed	2.070	.153	.391	101	.697	.21916	.56035	-.89242	1.33074
	Equal variances not assumed			.397	98.900	.692	.21916	.55250	-.87714	1.31545

Source: Primary Data Treated (2015)

From the test results H4 can be seen that the calculated F value Levene's Test of 2.070 with 0.153 probability greater than 0.05. Thus H4 is rejected. This means that there is no difference between the competence of the internal auditors and external auditors to perform tests of controls.

Hypothesis (H5): The external auditors are still considering the client's management style at time of initial consideration the level of materiality in planning the audit

Table 9. Test Results Management Style Differences in Conducting Initial Consideration of Materiality Levels for Internal Auditor and External Auditor

AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
MATERIALITY	INTERNAL	59	23.5517	1.12659	.14793
	EXTERNAL	44	23.5778	1.09729	.16357

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
MATERIALITY	Equal variances assumed	1.044	.048	-.118	101	.907	-.02605	.22129	-.46502	.41292
	Equal variances not assumed			-.118	95.891	.906	-.02605	.22054	-.46383	.41173

Source: Primary Data Treated (2015)

Based on the test results for the H5 can be seen that the average value for the variable initial consideration of materiality level internal auditors amounted to 23.5517. These results are lower than the average value for the variable initial consideration of materiality level internal auditors amounted to 23.5778. For different test independent samples t-test is known that the value of F calculated Levene's Test of 1.044 with 0.048 probability greater than 0.05. This means that the external auditor uses a management style that is better in considering the level of materiality than the internal auditors.

Hypothesis (H6): The external auditor is still considering its competence level at time of initial consideration of materiality in planning the audit

Table 10. Results of Test Different Competence in Early Consideration of Materiality level Conduct for Internal Auditor and External Auditor

AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
MATERIALITY	INTERNAL	59	23.0889	.94922	.14150
	EXTERNAL	44	22.7414	.92831	.12189

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
MATERIALITY	Equal variances assumed	1.028	.043	-1.866	101	.065	-.34751	.18623	-.71695	.02193
	Equal variances not assumed			-1.861	93.701	.066	-.34751	.18676	-.71835	.02333

Source: Primary Data Treated (2015)

Based on the test results for H6 can be seen that the average value for the variable consideration of materiality level internal auditors amounted to 23.0889. These results are lower than the average value for the variable consideration of materiality levels of external auditors amounted to 22.7414. For different test independent samples t-test is known that the value of F calculated Levene's Test of 1.028 with probability 0.043. It can be concluded that the internal auditor is still considering its competence at time of initial consideration of the level of materiality in planning the audit.

Hypothesis (H7): The internal auditor is to consider when determining the client's management style of audit risk in relation to the audit planning than external auditors

Table 11. Results of Test Different Styles when Determining Audit Risk Management for Internal Auditors and External Auditors

Group Statistics					
AUDITOR		N	Mean	Std. Deviation	Std. Error Mean
RISK AUDIT	INTERNAL	59	19.2414	1.04815	.13763
	EXTERNAL	44	19.2889	1.10005	.16399

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
RISK AUDIT	Equal variances assumed	.227	.635	-.223	101	.824	-.04751	.21277	-.46959	.37457
	Equal variances not assumed			-.222	92.420	.825	-.04751	.21409	-.47268	.37766

Source: Primary Data Treated (2015)

Based on the test results for H7 can be seen that the average value for the variable internal auditors audit risk is equal to 19.2414. These results are lower than the average value for the variable external auditors audit risk is equal to 19.2889. For different test independent samples t-test is known that the value of F calculated Levene's Test of 0.227 with 0.635 probability greater than 0.05. Thus H7 rejected.

Hypothesis (H8): The internal auditor is to consider when determining the competency of audit risk in relation to the audit planning than external auditors

Table 12. Results of Different Competency Test in Determining Audit Risk for Internal Auditor and External Auditor

Group Statistics										
AUDITOR		N	Mean	Std. Deviation	Std. Error Mean					
RISK AUDIT	INTERNAL	58	18.7931	1.08835	.14291					
	EXTERNAL	45	18.8222	1.36995	.20422					

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
RISK AUDIT	Equal variances assumed	2.939	.090	-.120	101	.905	-.02912	.24217	-.50952	.45128
	Equal variances not assumed			-.117	82.392	.907	-.02912	.24926	-.52493	.46670

Source: Primary Data Treated (2015)

H8 of the test results can be seen that the calculated F value Levene's Test of 2.939 with 0.090 probability greater than 0.05. Thus H8 rejected. This means that there is no difference between the competence of the internal auditors and external auditors in determining the risk of audit.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

Based on the above test results, it can be concluded as follows:
 In terms of management style we got the result that the internal auditor is to consider the management style of the client when performing tests of controls and substantive tests of internal audit planning compared with the external auditors. In contrast to give early consideration the level of materiality and audit risk, external auditors are still considering the client's management style than the internal auditors.

In terms of the competence of auditors obtained results that the external auditor considers its competence over time of the initial consideration in planning the audit materiality level than the external auditors. In contrast to other audit planning stage there is no difference between the internal auditors and external auditors.

RECOMENDATION AND IMPLICATION

Based on the research results and the limitations of the study, the researcher can give recomendation as follows:

1. The auditor should remain involved style of leadership and competence in performing the audit planning stage, including by collecting and evaluating evidence.
2. Examining other factors outside management style and competence that can affect the audit planning.



REFERENCE

- American Institute of Certified Public Accountants (AICPA). 2006. *Statement on auditing standard no. 109*. New York: AICPA.
- Apostolou, B., Hassell, J.M., & Webber, S.A. 2000. *Forensic expert classification of management*.
- Arens, Elder, Beasley. 2014. *Auditing and Assurance Service: An Integrated Approach*. Sixteenth Edition. Pearson Education.
- Ashforth, B.E., and F. Mael. 1989. *Social Identity Theory and The Organization*. The Academy of Management Review.
- Beaulieu, P.R. 2001. *The effects of judgments of new clients' integrity upon risk judgments*.
- Cohen, J., & Kida, T. 1989. *The impact of analytical review results, internal control reliability, and experience on auditors' use of analytical review*. Journal of Accounting Research, 27:
- Dusenbury, R., Reimers, J.R., & Wheeler, S.W. 2000. *The audit risk model: An empirical test for conditional dependencies among assessed component risks*. Auditing: A Journal of Practice and Theory, 19: 105-117.
- Hamilton, R., & Wright, W. 1982. *Internal control judgments and effects of experience: Replications and extensions*. Journal of Accounting Research, 20: 756-765.
- Houston, R.W., Peters, M.F., & Pratt, J.H. 1999. *The audit risk model, business risk and audit-planning decisions*. The Accounting Review, 74: 281-298.
- Ikatan Akuntansi Indonesia (IAI). 2011. "*Standar Profesional Akuntan Publik (SPAP)*". Jakarta : Salemba Empat.
- Indarto, dkk. 2013. *Interaksi Identifikasi Organisasi Klien, Identifikasi Sosial Klien, Pengalaman dan Jenis Profesi Auditor Terhadap Obyektivitas Penilaian Auditor*. Pusat Pengkajian dan Pengembangan Akuntansi Fakultas Ekonomi dan Bisnis Universitas Katolik Soegijapranata. Semarang.
- Knippenberg, D.V., and E.C.M. V. Shie. 2000. *Foci and Correlates of Organizational Identification*. Journal of Occupational and Organizational Psychology.
- Kerr, David S. , & Michelle Chandler Diaz. 2009. *Auditor Consideration of Tone-at-the-top in Audit Planning: An Experimental Investigation*. Journal of Forensic & Investigative Accounting Vol. 1, Issue 1
- Kerr, David S. *Fraud-risk Factors and Audit Planning: The Effects of Auditor Rank*. Journal of Forensic & Investigative Accounting Vol. 5, Issue 2, July - December, 2013
- Maletta, M. 1993. *An examination of auditors' decisions to use internal auditors as assistants*
- Schick, A.G., and L.A. Poneman. 1993. *The Influence of Auditors' Perceptions of Organizational Decline on Audit Risk*. Organizational Science.
- Sihombing, Ranto P., & Stefani Lily Indarto. 2014. *Evaluasi Sistem Pengendalian Internal Perusahaan*. Amara Books.
- Stefaniak, C. 2007. *The Effects of Client Organizational Identification on Internal and External Auditors' Subjective and Objective Judgements*. University of Alabama.
- Stefaniak, C. dan Cornell, R. 2011. **Social Identification and Differences in External and Internal Auditor Objectivity**. *Current Issues in Auditing American Accounting Association, Volume 5, Issue 2, Pages P9–P14*
- Willingham, J. and W. Wright. 1985. *Financial Statement Errors and Internal Control Judgments*. Journal of Practice and Theory
- Yuvisa, E., Abdul Rohman, Sri Handayani. 2008. *Pengaruh Identifikasi Auditor atas Klien terhadap Obyektivitas Auditor dengan Auditor Tenure, Client Importance dan Client Image Sebagai Variabel Anteseden*. Simposium Nasional Akuntansi (SNA) XI Pontianak.